

July 2012

Lower Rio Grande Valley District

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Technical Assistance

SBDC:

UT Pan Am

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www.utpa.edu/sbdc

Del Mar College

Tele: 361-698-1021

www.delmar.edu/sbdc

UTB IIC

Tele: 956-882-4119

www.utb.edu/iic

SCORE

Harlingen

956-427-8623

www.rgvscore.org

Corpus Christi

361-879-0017, x305

www.score-corpus-christi.org

Women-WBC

Tele: 956-380-2800

www.wbc-rgv.org

Veterans-VBOC

Tele: 956-665-7547

<http://ea.panam.edu/vboc>

Procurement/Contracting

Tele: 956-665-7535

www.utpa.edu/ptac

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www.delmar.edu/sbdc/ptac.html

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All SBA programs and services are provided on a nondiscriminatory basis.

Lender Rankings – Fiscal Year 2012 **October 1, 2011 thru June 30, 2012**

LRGV/CCBO Top 10 Volume 7(a) Lenders

1. BBVA Compass Bank	88	\$3,702,600
2. JP Morgan Chase Bank	18	\$3,697,000
3. Lone Star National Bank	8	\$2,412,300
4. ValueBank Texas	7	\$1,586,400
5. First Community Bank - CC	6	\$ 644,200
6. American Bank	4	\$ 323,400
7. Elsa State Bank & Trust Co.	3	\$3,502,000
8. Wells Fargo Bank	2	\$ 250,000
9. Southwest Securities, FSB	1	\$ 750,000
10. Security Service FCU	1	\$ 587,800

LRGV/CCBO Top Volume CDC's

1. ACCION Texas, Inc.	5	\$1,668,000
2. Brownsville Local Development Co. Inc.	4	\$2,908,000
3. Texas Certified Development Co., Inc.	4	\$1,486,000
4. Capital Certified Development Corp.	1	\$1,066,000
5. Greater East Texas CDC	1	\$ 126,000

LRGV/CCBO Top Volume Third Party 504 Lenders

1. Lone Star National Bank	4	\$1,895,015
2. First Community Bank – San Benito	1	\$1,918,513
3. International Bank of Commerce - Brownsville	1	\$1,287,500
4. ValueBank Texas	1	\$1,265,422
5. Security Service FCU	1	\$ 763,371

Year to Date

*Loan &
Dollar
Volume:*

*156 Loans
Approved for
\$25,044,700*

Revised and Expanded Small Loan Advantage Loan Program **Now Available to ALL Participating Lenders**

SBA Information Notice 5000-1240 dated May 25, 2012, announced the changes to the Small Loan Advantage (SLA) that have been incorporated into an updated version of Standard Operating Procedure (SOP) 5010.5. SLA was originally only available to Preferred Lender Program (PLP) lenders. Effective June 1, 2012, SBA revised SLA to, among other things, include credit scoring of each application prior to loan approval and **expanding SLA to all SBA participating lenders (now includes non-delegated lenders) for small loans.**

The key features of the revised and expanded SLA are as follows:

- An increase in the maximum loan size from \$250,000 to \$350,000;
- Expansion to all SBA participating lenders;
- All SLA loan applications will be credit-scored by SBA prior to loan approval;
- All SLA loan applications will be submitted electronically;
- Lenders will continue to have the option of using their own notes and guaranty forms, rather than SBA Forms 147, 148 and 148L;
- In closing and disbursing SLA loans, lenders will follow the same closing and disbursement procedures and documentation as it uses for its similarly-sized non-SBA guaranteed commercial loans; and
- Revolving lines of credit continue to be prohibited under SLA.

Credit Score Pre-Screening

All applications for a loan guaranty under SLA will begin with a pre-screening for a credit score. The lender will enter certain information into E-Tran and a credit score will be issued. If the application receives an acceptable credit score, the application may be submitted under SLA via E-Tran. If the loan application does not receive an acceptable credit score, the lender may submit a standard 7(a) loan application through the LGPC.

The SLA credit score is calculated based on a combination of consumer credit bureau data, business bureau data, borrower financials, and application data. (The SLA credit score is not to be confused with the Small Business Predictive Score (SBPS) used by SBA's Office of Credit Risk Management.) The minimum SLA credit score is based on the lower end of the risk profile of the current SBA portfolio and may be adjusted up or down from time to time. SBA will post on its website the minimum SLA credit score for SLA applications at <http://www.sba.gov/for-lenders>. The current minimum SLA credit score is 140, which is subject to change as noted above.

Credit Analysis

While each SLA application will be pre-screened to determine its credit score, SLA lenders must perform a thorough and complete credit analysis of the applicant in order to ensure that the loan is of such sound value as to reasonably assure repayment and this credit analysis must be documented in the loan file. For full details on the SLA lender's credit memorandum, please see the Notice or SOP.

Equity Requirements

Adequate equity is important to ensure the long term survival of a business. The lender must determine if the equity and the pro forma debt-to-worth are acceptable based on their policies and procedures for their similarly-sized, non-SBA commercial loans. If the lender requires an equity injection and, as part of its standard processes for similarly-sized, non-SBA guaranteed commercial loans verifies the equity injection, it must do so for SLA loans.

Collateral

For SLA loans of \$25,000 or less, lenders are not required to take collateral. For SLA loans over \$25,000 and up to and including \$350,000, the lender must follow the collateral policies and procedures that it has established and implemented for its similarly-sized non-SBA guaranteed commercial loans, but at a minimum the lender must obtain a lien on the borrower's business assets to secure the SBA-guaranteed loan.

How to Apply for a Guaranty under SLA

All SLA application packages must include the forms and information the lender requires in order to make an informed eligibility and credit decision. The lender's application must be certified by the applicant as true and complete.

The only form that SBA requires of the Small Business Applicant is SBA Form 1919. Depending on the answers provided on SBA Form 1919, additional forms may be necessary, such as SBA Form 912 or SBA Form 159(7a).

SBA requires the lender to complete the following forms:

1. SBA Form 1920SX, Part B, Supplemental Information;
2. SBA Form 1920SX, Part C, Eligibility; and
3. A credit memorandum addressing all of the requirements set forth by SBA.

All SLA applications must be submitted using E-tran (SBA's electronic origination program). The lender will submit general application information using E-Tran and then submit the application documentation electronically to the Standard 7(a) Loan Guaranty Processing Center (LGPC). The lender must retain copies of all documentation in its loan file for all SLA loans.

Once the LGPC receives the e-mail and attachments, the LGPC will review the loan for credit worthiness and eligibility. If the loan is approved, the LGPC will prepare the Authorization.

Authorization

The Authorization is SBA's written agreement between the SBA and the lender providing the terms and conditions under which SBA will guarantee a business loan. SBA will draft and sign the Authorization for SLA loans.

Closing and Disbursement

When closing an SLA loan, lender must use the same closing and disbursement procedures and documentation as it uses for its similarly-sized non-SBA guaranteed commercial loans. The lender must obtain all required collateral and must meet all other required conditions before loan disbursement, including obtaining valid and enforceable security interests in any loan collateral. These conditions include requirements identified in the loan write-up, such as standby agreements, appraisals, business licenses, and cash/equity injections.

The changes to SLA have been incorporated into an updated version of SOP 50 10 5. This version of the SOP is SOP 50 10 5(E) and effective June 1, 2012. This version of the SOP will apply to all applications received by SBA on or after June 1, 2012. For the Notice and SOP, go to <http://www.sba.gov/category/lender-navigation/forms-notice-sops>

Questions regarding SLA and/or SOP 50 10 5(E) may be directed to Maria Perez via e-mail maria.perez@sba.gov or phone (956) 427-8533 ext. 242.

504 Temporary Debt Refinancing Deadline Approaching Fast

As part of the Small Business Jobs Act of 2010, the 504 program was temporarily extended to allow refinancing of a qualified debt without a business expansion. Some of the highlights of this temporary program are as follows:

- 504 Refinance is for debt refinancing of commercial loans only.
- At least 85% of the original debt must have been used for 504 eligible costs.
- Refinance up to 90% of the current appraised property value.
- "Cash Out" permitted where there is excess equity. Funds must be used for eligible business expenses.
- Refinanced debt cannot be on existing SBA Loan or any other federally guaranteed loan.
- Debt must have been funded 2 years prior to the 504 application.
- Two or more loans may be combined and refinanced, provided 85% was for eligible 504 expenses.
- The debt loan payments must not be more than 30 days past due for last 12 months.
- Same institution debt is eligible.

This program ends on September 27, 2012. That means the process must be initiated a few weeks before. Lenders act now to take advantage of this program. If you have any questions, please do not hesitate to call Maria G. Perez, Lender Relations Specialist at (956) 427-8533 ext. 242 or by e-mail: maria.perez@sba.gov

SBA UPDATES

To find the latest SBA forms, notices and SOP's go to:

<http://www.sba.gov/category/lender-navigation/forms-notice-sops>

For the Maximum Allowable Fixed Rate for 7(a) loans, go to:

<http://www.colsonservices.com/main/news/New%20Maximum%20Allowable%20Fixed%20Rate%20for%207%20a%20Loans.pdf>